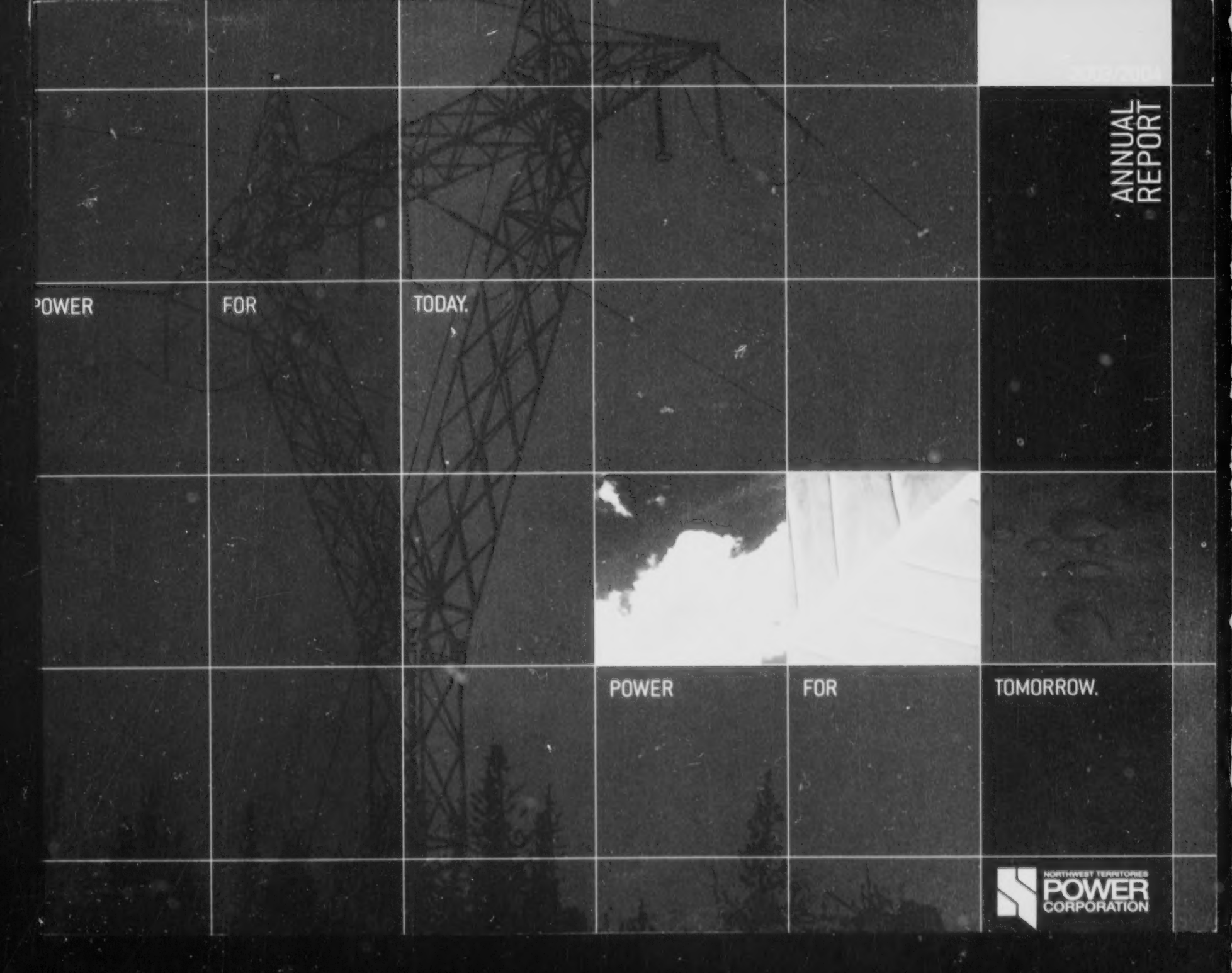
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TODAY.
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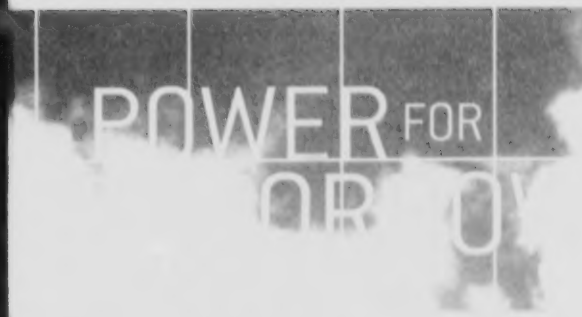
NORTHWEST TERRITORIES
POWER
CORPORATION



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POWER FOR TODAY.

POWER FOR TOMORROW.

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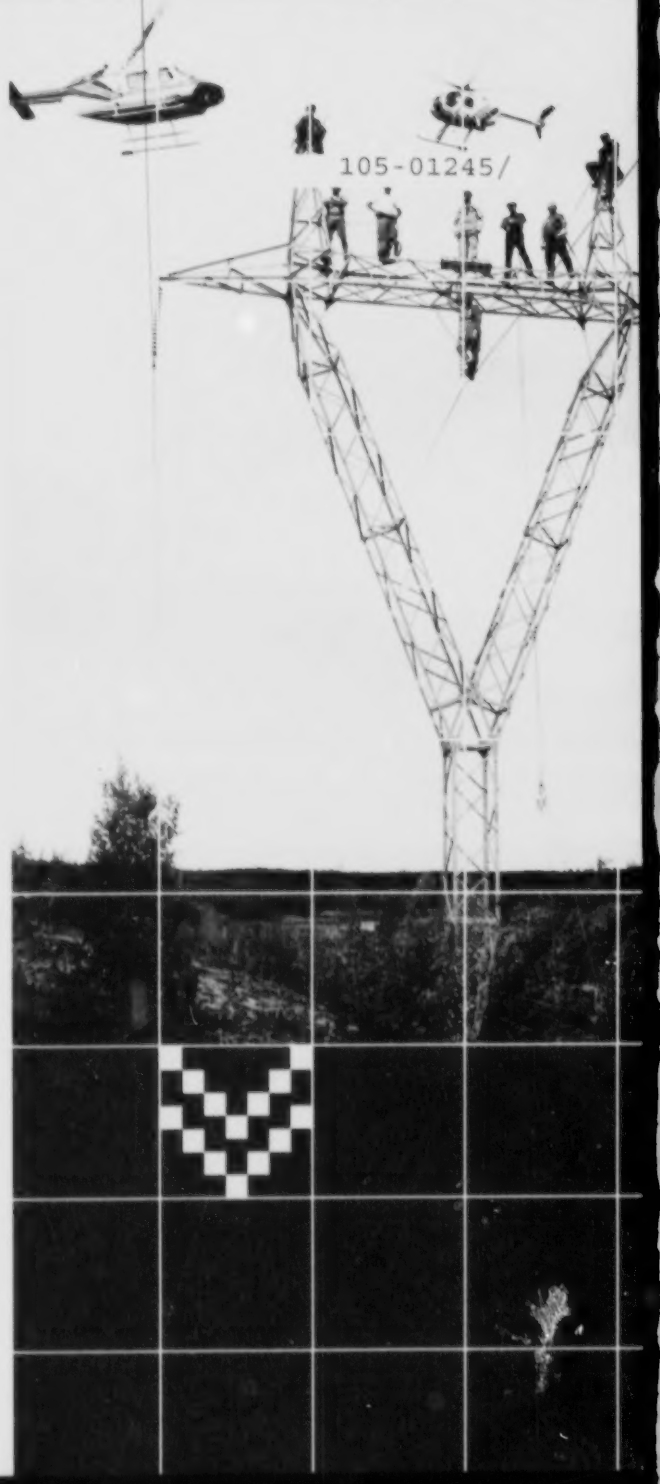
VISION

To be recognized as a progressive company.

MISSION

To provide, safe reliable energy and related services in the territories, while following sound business practices and demonstrating leadership in protecting the environment. In achieving the Corporation's Vision Statement and objectives, we will endeavor to:

- Be cost effective in the utilization of all resources, always remembering that we are spending the customer's money;
- Strive to increase shareholder value in the long term;
- Commit to the safety and development of our employees by balancing the needs of our customers with the needs of our families and ourselves;
- Act ethically and honestly – treating employees, customers and others with fairness, dignity and respect;
- Be responsive to our customers and their changing needs;
- Respect and protect the environment in all our activities to ensure a sustainable environment for the territories; and
- Communicate in an open and timely manner.



POWER FOR THE PEOPLE

FROM THE PEOPLE

15 years & MOVING FORWARD

Randy Patrick
Director,
North Slave

Al Dube
Director,
Engineering & Chief Engineer

Cheryle Donahue
Director,
Human Resources

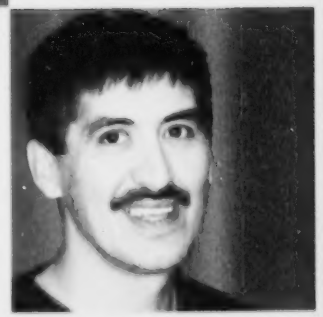
Brian Willows
Director,
Corporate Operations

Director,
Delta-Sahtu

Paul Campbell
Director,
Deh Cho-South Slave

John Locke
Director,
Information Systems & CIO

Dan Grabke
Director, Business Development
NTEC 03 Ltd.



Herbert Blake
Assistant Director,
Delta-Sahtu

MESSAGE FROM THE CHAIRMAN

The NWT Power Corporation (Corporation) and its subsidiary the NWT Energy Corporation 03 Ltd. (NTEC) are implementing a strategy to become a player in the North American supply of energy.

Since 1990 North American demand for energy has been increasing rapidly. Forecasts show that demand will soon outstrip conventional supplies. At the same time concerns over the environmental impact and rising costs of conventional sources of non-renewable energy require new approaches to meeting the energy needs of the North American market.

The NTEC is responding to these challenges by pursuing the potential of the NWT's rivers to provide abundant, clean and renewable hydropower. Using run-of-the-river technology will allow the Corporation to tap into our abundant water power with minimal impact on the environment. In fact, hydropower is the most stable and low-emission source of renewable energy. The Corporation's development of northern river hydropower can help Canada meet its emission reduction targets while at the same time supplying much needed energy.

We are excited about the opportunity to contribute to the economic growth and the on-going sustainability of the NWT economy through this environmentally sensitive endeavor. Exciting new opportunities such as the Mackenzie Valley Pipeline and diamond mining are driving our economic growth. They will require the kind of power that is clean, secure, reliable, renewable and economical that hydropower can provide.

Furthermore, the NTEC's development of hydropower itself will make a significant contribution to the North's economy through the creation of jobs, business and resource revenues. Before all the potential benefits of hydropower can be realized, however, we need significant capital investment. The NTEC is actively seeking out and engaging other governments and businesses to gather the supports, markets and investment resources necessary for this ambitious development.

Our focus on developing hydropower does not take away from our core business of providing electrical energy to the citizens of the NWT and revenue to our shareholder, the Government of the Northwest Territories. Expanded hydroelectricity endeavors will become a crucial component of the resource revenue mix which will benefit the people of the NWT and contribute to the Canadian and U.S. continuing demand for energy.

In the coming year the Corporation and the NTEC will work towards getting the technology and capital resources together to ensure that the population of the NWT have a stable, lower cost supply of electricity, while at the same time building the opportunity to export the excess capacity to bring the benefits of further economic development to our people.

The Board acknowledges the efforts of employees in meeting the challenges of the past year in pursuing hydro development while at the same time meeting the needs of our existing customers.

Richard Nerysoo, Chairman

MESSAGE FROM THE PRESIDENT

The NWT Power Corporation received Gold Champion Level Reporter Status in 1999, 2001, 2002 & 2003

The NWT Power Corporation Received the Leadership Award for "Best New Submission" in 1999.

In addition, the Corporation received the "Sector Leadership Award – Electrical Utilities" in 2001, with Honourable Mentions in 1999 and 2003.

http://www.vcr-mvr.ca/

It has been three years since the Corporation divided and the Nunavut Power Corporation assumed responsibility for operations in Nunavut. It is timely to look at how the Corporation is faring serving only the Northwest Territories.

Generation

The Corporation now serves 28 communities directly and indirectly. Our generation is sourced 70% from hydro, 10% from natural gas and only 20% from diesel. In a few years the diesel component is expected to decrease to 10%. Thus, even though we serve 20 communities exclusively with diesel generation the Corporation has become very much a hydro generating utility.

Customer Service

During the last three years we have worked hard at improving our customer service. At the start of our program to improve customer service we completed a customer survey and found that 19% of our customers were not satisfied with our service while 50% thought we were doing a good job. Using the information obtained from the survey the Corporation undertook to improve communication with customers through meetings and newsletters, provided information on our operation and ways to reduce electrical consumption, hosted seminars on how to reduce energy consumption and began providing energy audits. At the same time employees were provided with customer service training and we began the long road to changing into a more customer focused utility. While there is still a long way to go on this journey, I am pleased to report on our progress. Our most recent customer survey has the number of customers not satisfied with our service at 10% with the customers who think we do a good job increasing to 65%. We will continue our efforts to improve customer service in the future with more employee training, more communication with customers and more partnerships with northern businesses.

Safety

We have maintained our emphasis on employee and customer safety. After two years of no lost time accidents we experienced five lost time accidents in 2003/04; however, our accident severity rate remains one of the best for a fully operating utility. We also adopted a new program during the year to emphasize safety and are working toward a target of no accidents. We continue to provide safety training in schools and will expand this program to Hay River and Yellowknife next year.

Reliability

We have maintained reliability with our systems being available for 99.96% of the time during the last three years. Systems availability in 2003/04 was 99.96% even taking into account the impact of the Fort McPherson plant burning down January 19, 2004. Corporation staff worked non-stop in temperatures that reached 45 degrees below zero to partially restore power in 10 hours and fully restore power in 36 hours. Our emergency response plan worked very well. Nevertheless, during the coming year we will take what we learned from the Fort McPherson fire and improve on these plans.

The Bluefish hydro facility has been integrated into our system, improving reliability in Yellowknife. The early closing of the Con mine provided excess hydro from the Bluefish facility that allowed us to reduce our use of diesel generation. We are finalizing new planning criteria for all the communities we serve and should have them in place during 2004/05. The re-licensing of the Snare Cascades hydro facility is well underway and should be completed in September 2004.

Environment

The environment continues to be a focus for the Corporation in its operations. Our effort to reduce greenhouse gas production, resulting in decreases of over 40%, was again recognized by the Voluntary Challenge Registry with the honourable mention in the utility category. At the time of division site assessments were underway to determine the condition of our plant sites. In the last three years we have completed all the assessments, reviewed the results, undertaken risk assessments, done air emissions tests and begun to clean up some of the old plant sites. This program will continue in 2004/05 with the cleanup of the old plant site in Tuktoyaktuk.

Financial Performance

The Corporation's activities centered on two areas during 2003/04: our regulated operations of providing power in the NWT and the development of hydro projects. Net income of $7.2 million was down $.5 million from 2002/03 due to an increase in hydro development expenses. The Corporation's return on equity was 9.2% down from 10.4% last year. Return on equity from regulated operations was 10.7% up 1% from last year. Even with the gold mining operations decreasing significantly during the year, sales increased overall to 316 million kW.h. The General Rate Application process that began in 2001 has now been completed with new rates in place and all revenue shortfalls collected.

The one remaining item with respect to the division of the Corporation between its NWT and Nunavut operations will be decided by an arbitrator in the next few months bringing closure to the division of the Corporation, a process that began in 1995.

New Hydro Development Opportunities

The Corporation, through its subsidiary NWT Energy Corporation (03) Ltd. continued engineering and environmental studies on a project to provide hydro power to the diamond mines north of Yellowknife. This work is being undertaken in partnership with the Akaitcho Territory Government and the Métis Energy Company Limited. It is expected a decision will be made whether to proceed with this project or not in 2004/05.

The Corporation continues to work with the Deline Land ft Financial Corporation and the Tulita Yamouria Community Secretariat to explore the possibility of developing hydro generation facilities on the Bear River to provide power to the proposed pipeline.

Acknowledgments

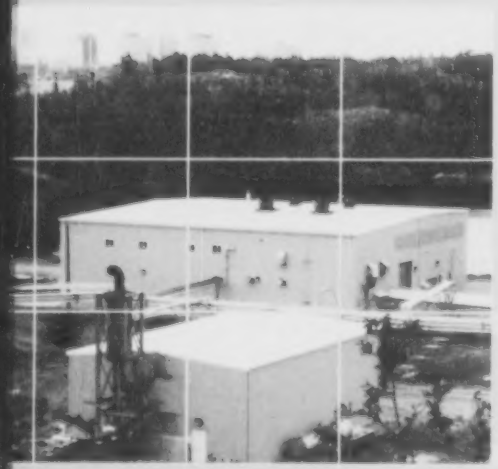
The 2003/04 year has been a notable one for the Corporation both financially and operationally. Our customers continued to receive safe reliable power provided by a Corporation that is more customer focused. The restoration of power in 10 hours after the loss of the Fort McPherson plant by fire was an outstanding achievement. None of this could have been accomplished without the hard work, dedication and professionalism of our employees, and I thank them for their tireless efforts.

The new Board of Directors has settled into their new role and has put a great deal of effort into pursuing hydro development opportunities.

In the three years since the Corporation divided it has responded well to the changes required as a result of division and continues to fulfill its mission statement. I look forward to us continuing in our evolution to meet the needs of our customers, shareholder and employees.

Leon Courneya

Leon Courneya, FCA
President ft CEO



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Discussion and Analysis is intended to provide an historical and prospective analysis of the Corporation with 2003/04 financial performance as the primary focus. Management assumes full responsibility for the information provided in this Discussion and Analysis and confirms that appropriate information systems, procedures and controls are in place to ensure that the information provided is both complete and reliable. These comments should be read in conjunction with the Consolidated Financial Statements included in this report.

Description of the Corporation's Operations

The Northwest Territories Power Corporation (Corporation) is a Crown Corporation of the Government of the Northwest Territories (GNWT). Under the *Northwest Territories Power Corporation Act*, it is the responsibility of the Corporation to generate, transform, transmit, distribute, deliver, sell and supply energy throughout the Northwest Territories (NWT) on a safe, economic, efficient and reliable basis.

The Corporation distributes electricity to the end use consumers in 26 communities and supplies electricity on a wholesale basis to two distributing utilities, which in turn retail electricity to customers in Yellowknife, and the Hay River Area. The Corporation's facilities include hydroelectric, diesel, and natural gas generation plants, transmission systems, and numerous isolated electrical distribution systems. The Corporation also owns and operates alternative energy assets used for the supply of residual heat, solar power and co-generation.

These systems serve a population of approximately 42,000 located in an area of 1.2 million square kilometers. The population is divided among the communities, with none greater than 20,000 and the majority under 1,000 per community. Total electrical load is approximately 68 MW with isolated power systems having generating capacities ranging from 59.6 MW at Snare/Yellowknife to 240 kW at Colville Lake and with the exception of the two small hydro grids these systems are isolated and unconnected, each must be planned for and operated independently.

The Corporation serves a unique operating environment. Extremely low customer densities, harsh climate and the consequential logistical challenges, as well as the lack of an integrated transmission system, set the Corporation apart from most utilities, as does the fact that the Corporation's generation is based on a mix of hydro, natural gas and diesel facilities. The unique environment within which the Corporation operates has a profound impact on the Corporation's operations throughout its service area.

The Corporation set objectives and strategies in 2003/04 to be efficient and effective while maintaining or improving reliability, operating safely and protecting the environment. Amendments were made to the corporate structure in 2003/04 to provide for additional subsidiaries and to allow the Corporation to enter into partnerships. Further corporate restructuring is planned for 2004/05 to align the organization to meet the strategic direction set by its Shareholder.

Discussion of Objectives and Strategies for 2003/04

The fiscal year began with the conclusion of the purchase of Bluefish hydro generating facility from the Miramar Con Mine Limited in April. The essential elements of the Purchase Agreement are: a $10 million note payable December 31, 2004, specified energy and demand

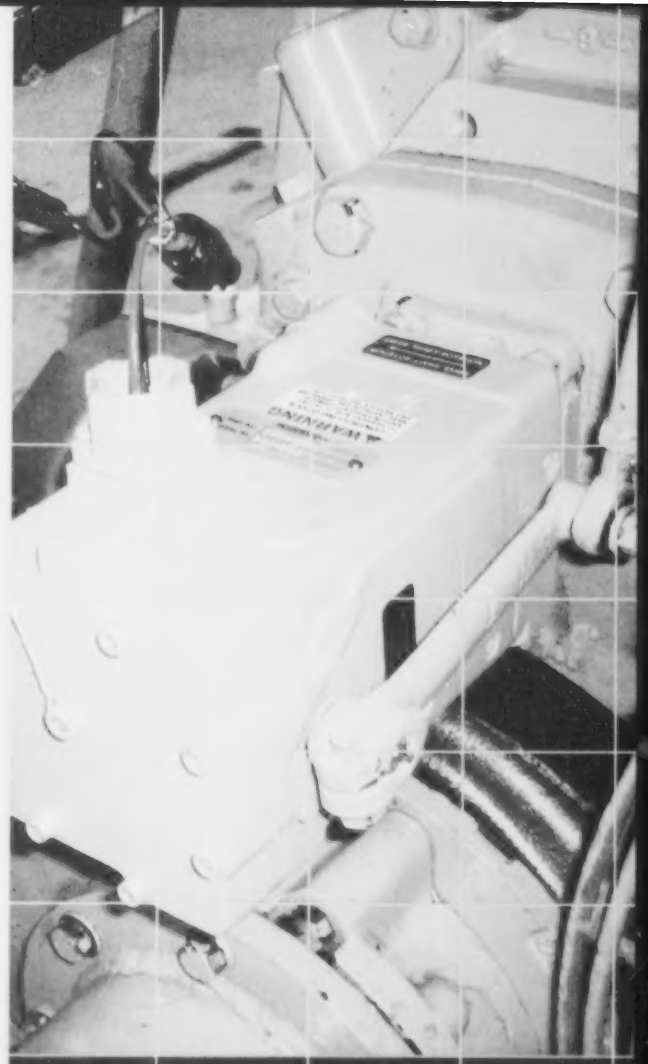
power credits for Miramar Con Mine until December 31, 2009, assumption of all future removal and site restoration costs for the Bluefish Station, and assumption of operating costs until December 31, 2004. The specified energy and demand power credits work as follows: from April 4, 2003 to December 31, 2004 Miramar will receive as much energy from Bluefish at zero cost ("power credits") as Bluefish would have produced when Miramar owned the hydro facility. Miramar also gets demand credits of 7,200 kVA per month in each of the two fiscal years in this period. From January 1, 2005 until December 31, 2009 Miramar will receive 5 GWh of energy at zero cost each fiscal year and demand credits of 1,500 kVA per month. The purchase considerations and acquisition of the facility was reviewed and approved by the NWT Public Utilities Board (PUB) in 2002/03.

Under the purchase agreement the Corporation continued to provide power to Miramar Con mine in 2003/04 from Bluefish hydro. Con mine reduced its power needs considerably in November 2003, when it stopped operating and went into care and maintenance. The Corporation was able to use the surplus power from Bluefish to supply other customers on the interconnected grid which reduced the need for diesel generation. The Bluefish purchase was made with the knowledge that both Yellowknife gold mines would close by 2006 and that as a result of the drop in load from the mines closing, not all of the hydro would be required in the near term for the remaining Snare/Yellowknife customers. Within ten years it is estimated that Bluefish hydro will be fully utilized to serve the growth in sales for the Snare/Yellowknife grid, reducing the requirement for diesel generation which will lower costs and reduce greenhouse gas emissions in the Snare/Yellowknife area.

The Corporation filed a general rate application in May 2001. Final rates were approved by the PUB in October 2003. The Corporation had rate riders in place to collect or refund any differences from interim and final rates. These riders were concluded in all but one community in 2003/04.

An unexpected challenge occurred in January when the Corporation's diesel power plant in Fort McPherson was destroyed by fire. The Corporation's emergency response team was mobilized and partial power was restored to the community within 10 hours. The local emergency measures group and the community were instrumental in helping to manage loads while power was restored, despite extreme cold conditions. Construction of a new plant in Fort McPherson is a capital priority. The Corporation has condensed its normal construction cycle and expects to have the new plant ready for commissioning in December 2004. The cost of the new plant will be substantially paid for through insurance proceeds.

The Corporation set a number of performance measures for 2003/04, designed to measure differing aspects of corporate performance. System reliability, efficiency, safety, human resource retention and financial results were some of the areas measured. The 2003/04 Objectives and Strategies were set to maximize performance in each category. The Corporation's return on regulated equity for 2003/04 is 10.7% which is higher than the 9.5% approved by the PUB for the test years in the Corporation's 2001/03 general rate application. This higher rate of return was achieved through one time increases in other revenues and a reduction in fuel expense due to improved engine efficiencies and the availability of surplus hydro



RESULTS OF OPERATIONS

Performance Measure	Long Term Target	2003/04 Expected Results	2003/04 Actual Results	2004/05 Expected Results
Debt/Equity	55/45	61/39	59/41	60/40
Plant Efficiency	3.85	3.58	3.67	3.54
Operating Cost per kWh generated	12.00 cents/kWh	13.6 cents/kWh	14.47 cents/kWh	14.16 cents/kWh
Safety – Average lost workdays per 200,000 hrs worked – last 5 years	0	14.45	9.41	n/a (based on CEA data)
System Availability	100%	99.96%	99.96%	99.97%
Staff Turnover	5%	6.6%	3.0%	5.7%

ELECTRICAL SALES BY CUSTOMER CLASS

	Electrical Revenue ($ Millions)			Electrical Sales (GWh)		
	2004	2003	Change	2004	2003	Change
General	21.9	20.7	1.2	57.9	55.6	2.3
Residential	17.8	16.9	0.9	43.6	42.9	0.7
Wholesale	22.5	21.9	0.6	193.0	187.7	5.3
Industrial	2.8	3.9	(1.1)	19.5	26.2	(6.7)
Streetlights	1.0	1.1	(0.1)	1.8	1.9	(0.1)
Total Electrical Sales	66.0	64.5	1.5	315.8	314.3	1.5

This table illustrates sales by customer group in dollars and units.

power from Bluefish hydro. The Corporation is expecting the return on equity in 2004/05 will be closer to 9.5%. The adjacent table on the left illustrates the 2003/04 Performance Measure Targets and Results for the regulated company and also provides prospective targets for 2004/05.

Results of Operations

Net income for 2003/04 is $7.2 million, a decrease from 2002/03 of $0.5 million. The Corporation recorded electricity sales of $66.0 million in 2003/04 which is up $1.5 million or 1.5 GWh over the prior year, as a result of strong sales in the wholesale and general service sectors. Operating expenses are up $2.7 million over the prior year which includes a $0.7 million increase in expenditures for hydro development projects. After declaring a dividend of $3.5 million to the Shareholder, the Corporation added $3.7 million to retained earnings.

The Corporation's 2004/05 budgeted net income for its regulated businesses is $7.0 million and combined with unregulated subsidiary operations the 2004/05 budgeted net income forecast is $6.2 million.

Revenues and Expenditures

Most customer groups showed stronger sales in 2003/04 than the prior year, with the exception of industrial customers which continued to show declines. The continued decline in industrial sales is related to the two gold mines in Yellowknife and both have been indicating that closure is imminent. In November 2003 Miramar Con mine officially ceased mining and entered care and maintenance. The increases in wholesale, general service and residential sales is consistent with the increase in economic activity in the NWT, particularly in those areas most impacted by diamond mining and/or oil and gas activity.

Sales are expected to continue to increase in 2004/05 in the wholesale, general service and residential categories however the second gold mine in Yellowknife has indicated it will cease mining in July 2004 which will further reduce industrial sales. The Corporation has been anticipating and planning for the closure of the Yellowknife gold mines for several years. As a result, the impact on net income of the mines closing is expected to be minimal.

Operating expenditures (excluding amortization and interest expense) totaled $44.7 million in 2003/04 which is $2.1 million higher than the prior year. The increase in operating expense is in part due to an increase in hydro development expenditures that are taking place in a subsidiary. These expenses are up $0.7 million from the prior year. In addition, fuel costs are up 2% or $0.3 over the prior year. Fuel consumption is considerably less than what was anticipated during the 2003/04 budget process as the availability of surplus hydro power from the Bluefish generating facility helped to reduce the fuel expense for the North Slave Region. Salaries and wages are up 5% or $0.8 million over prior year, reflecting increases negotiated in the collective agreement. Supplies and services are up 7% or $0.7 million over prior year and include a provision for the write down of residual heat assets held in a subsidiary.

In 2004/05 the Corporation will be reviewing how it will respond to new accounting standards that are emerging from the Accounting Standards Board of the Canadian Institute of Chartered Accountants. In particular changes that are contemplated with regard to rate regulated accounting and the new guidelines for asset retirement obligations will be considered against the current accounting

practice to determine what, if any changes may be required and how these changes may impact the financial statements of the Corporation.

Financing Activities

The Corporation did not issue any new long term debt in 2003/04 however it is anticipated that $20 - $25 million new debt will be issued in 2004/05 to convert short term debt related to capital projects and to retire the note payable to Miramar Con Mine Limited for the purchase of Bluefish hydro.

Capital Expenditures

Each year the Corporation makes an investment in its capital infrastructure to replace assets that have reached the end of their useful lives. Capital projects totaled $20.5 million, the majority of which was spent on projects to maintain or improve reliability and to meet capacity requirements. The capital identified for 2003/04 includes $9.4 million for the discounted value of the Bluefish hydro facility which, while adding to the Corporation's generating capacity, was undertaken primarily for the long term savings benefit of displacing diesel power with lower cost hydro. The charts on the right illustrate the breakdown of capital spending by category for 2003/04 and the planned spending in 2004/05 which totals $16.0 million.

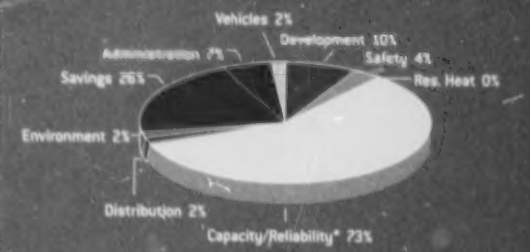
Safety and Environment

The Corporation continues to achieve high marks in safety relative to the other companies in the industry. Against its own safety record, the safety statistics for the Corporation have declined and in response, the Corporation took steps to refocus attention on workplace safety in 2003/04 by adopting a "zero accidents" objective. The Corporation's accident severity rate, a measure of lost time accidents per 200,000 hours worked for the last 5 years was 9.41 as compared to 2.37 in 2002/03. This result still places the Corporation among the lowest utilities in Canada. To increase community awareness of safety around electricity, the Corporation continued its electricity safety demonstrations which were delivered in most Territorial schools and at trade shows.

The Corporation continued its efforts to respect and protect the environment in 2003/04. During the year the Corporation successfully remediated contaminated soils in situ at the old plant site in Tulita and started remediation work at a site adjacent to its Aklavik plant. In 2004/05 the Corporation will continue with the Aklavik remediation and commence another remediation project in the community of Tuktoyaktuk. As well, the Corporation will develop a plan and commence remediation work in Fort McPherson to clean up the plant site and to address glycol spills related to the heat distribution system and the plant fire.

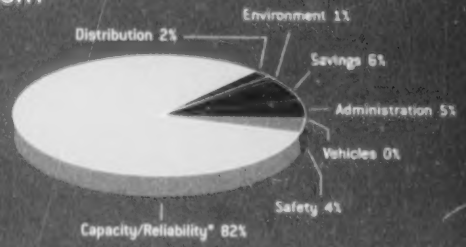
The Corporation tracks its level of greenhouse gas production as compared to its 1990 baseline levels and annually submits a greenhouse gas report to the Voluntary Challenge and Registry. In 2003/04 the Corporation submitted its 2002/03 results demonstrating greenhouse gas emission reductions of 43% from the 1990 baseline. For the fourth consecutive year, the Corporation was awarded Gold Champion Level Reporting. In addition, the Corporation received Honourable Mention for the Electricity Sector. Although many milestones have been achieved in the environmental field, the Corporation will continue to improve operations wherever possible in order to respect northern cultures and protect sensitive northern environments.

2003/04 CAPITAL EXPENDITURES BY CATEGORY



** Capacity/Reliability includes fifty percent of the Bluefish hydro purchase, the remainder of the Bluefish hydro purchase is reflected under the Savings category.*

2004/05 CAPITAL EXPENDITURES BY CATEGORY



**Includes $6.8 million (42%) for rebuild of Fort McPherson plant.*

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The Corporation's 2004/05 budgeted net income for its regulated businesses is $7.0 million and combined with unregulated subsidiary operations the 2004/05 budgeted net income forecast is $6.2 million.

Revenues and Expenditures

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Sales are expected to continue to increase in 2004/05 in the wholesale, general service and residential categories however the second gold mine in Yellowknife has indicated it will cease mining in July 2004 which will further reduce industrial sales. The Corporation has been anticipating and planning for the closure of the Yellowknife gold mines for several years. As a result, the impact on net income of the mines closing is expected to be minimal.

Operating expenditures (excluding amortization and interest expense) totaled $44.7 million in 2003/04 which is $2.1 million higher than the prior year. The increase in operating expense is in part due to an increase in hydro development expenditures that are taking place in a subsidiary. These expenses are up $0.7 million from the prior year. In addition, fuel costs are up 2% or $0.3 over the prior year. Fuel consumption is considerably less than what was anticipated during the 2003/04 budget process as the availability of surplus hydro power from the Bluefish generating facility helped to reduce the fuel expense for the North Slave Region. Salaries and wages are up 5% or $0.8 million over prior year, reflecting increases negotiated in the collective agreement. Supplies and services are up 7% or $0.7 million over prior year and include a provision for the write down of residual heat assets held in a subsidiary.

In 2004/05 the Corporation will be reviewing how it will respond to new accounting standards that are emerging from the Accounting Standards Board of the Canadian Institute of Chartered Accountants. In particular changes that are contemplated with regard to rate regulated accounting and the new guidelines for asset retirement obligations will be considered against the current accounting

practice to determine what, if any changes may be required and how these changes may impact the financial statements of the Corporation.

The Corporation did not issue any new long term debt in 2003/04 however it is anticipated that $.70 - $.75 million new debt will be issued in 2004/05 to convert short term debt related to capital projects and to retire the note payable to Miramar Con Mine Limited for the purchase of Bluefish hydro.

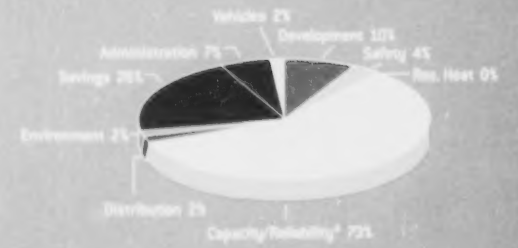
Each year the Corporation makes an investment in its capital infrastructure to replace assets that have reached the end of their useful lives. Capital projects totaled $20.5 million, the majority of which was spent on projects to maintain or improve reliability and to meet capacity requirements. The capital identified for 2003/04 includes $9.4 million for the discounted value of the Bluefish hydro facility which, while adding to the Corporation's generating capacity, was undertaken primarily for the long term savings benefit of displacing diesel power with lower cost hydro. The charts on the right illustrate the breakdown of capital spending by category for 2003/04 and the planned spending in 2004/05 which totals $16.0 million.

The Corporation continues to achieve high marks in safety relative to the other companies in the industry. Against its own safety record, the safety statistics for the Corporation have declined and in response, the Corporation took steps to refocus attention on workplace safety in 2003/04 by adopting a "zero accidents" objective. The Corporation's accident severity rate, a measure of lost time accidents per 200,000 hours worked for the last 5 years was 9.41 as compared to 2.17 in 2002/03. This result still places the Corporation among the lowest utilities in Canada. To increase community awareness of safety around electricity, the Corporation continued its electricity safety demonstrations which were delivered in most territorial schools and at trade shows.

The Corporation continued its efforts to respect and protect the environment in 2003/04. During the year the Corporation successfully remediated contaminated soils in situ at the old plant site in Tulita and started remediation work at a site adjacent to its Aklavik plant. In 2004/05 the Corporation will continue with the Aklavik remediation and commence another remediation project in the community of Tuktoyaktuk. As well, the Corporation will develop a plan and commence remediation work in Fort McPherson to clean up the plant site and to address glycol spills related to the heat distribution system and the plant fire.

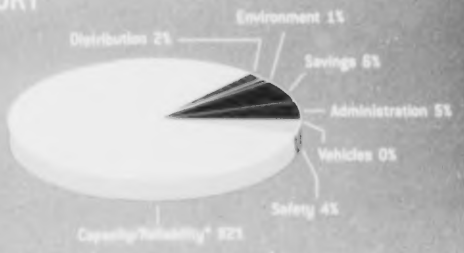
The Corporation tracks its level of greenhouse gas production as compared to its 1990 baseline levels and annually submits a greenhouse gas report to the Voluntary Challenge and Registry. In 2003/04 the Corporation submitted its 2002/03 results demonstrating greenhouse gas emission reductions of 43% from the 1990 baseline. For the fourth consecutive year, the Corporation was awarded Gold Champion Level Reporting. In addition, the Corporation received Honourable Mention for the Electricity Sector. Although many milestones have been achieved in the environmental field, the Corporation will continue to improve operations wherever possible in order to respect northern cultures and protect sensitive northern environments.

2003/04 CAPITAL EXPENDITURES BY CATEGORY



** Capacity/Reliability includes fifty percent of the Bluefish hydro purchase, the remainder of the Bluefish hydro purchase is reflected under the Savings category.*

2004/05 CAPITAL EXPENDITURES BY CATEGORY



**Includes $6.8 million (42%) for rebuild of Fort McPherson plant.*

OUTLOOK FOR 2004/05

The Northwest Territories continues to benefit from increased activity in the diamond mining and oil and gas industries. At the same time, the two operating gold mines in Yellowknife will be in care and maintenance during 2004/05 which will cause industrial sales to reach their lowest levels. The Corporation will be challenged in 2004/05 and in the years ahead to meet the needs of a growing economy without the benefit of interconnected grids and with little or no opportunity to take advantage of economies of scale. The Corporation will be reviewing its operations over the next several months to determine when its next general rate application may be required.

Objectives for 2004/05 have been set by the Board of Directors of the Corporation and continue to emphasize financial performance as well as to maintain or improve on measures of reliability, efficiency, safety and environmental performance and staff retention.

Long term, the Corporation, through its subsidiaries and through northern partnerships, is looking to increase the amount of hydro electricity in the Northwest Territories and potentially for export, with a view to expanding the electrical sales base in order to reduce costs to all customers.

The long term strategic direction to find new domestic and export markets and to pursue partnerships with northern parties was provided to the Corporation from its Shareholder, along with direction to continue to provide safe, secure and reliable power in the communities presently served. The Corporation was also issued direction to pursue alternative technologies and to maximize the value of the Corporation to its Shareholder.

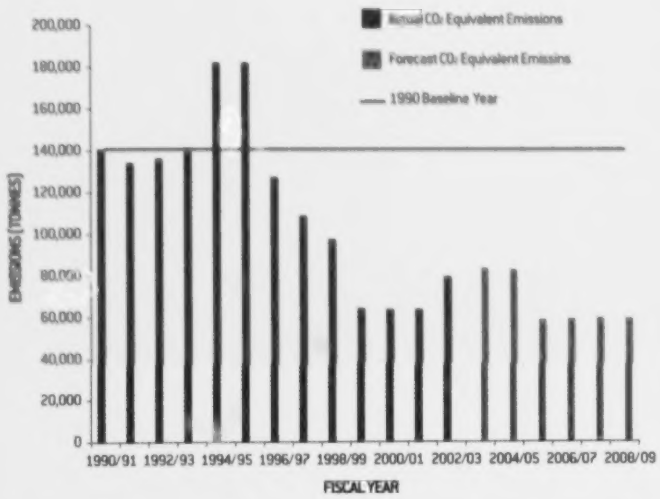
The Corporation is working to develop a new strategic plan which will reflect the strategic direction from its Shareholder. Since much of the development and partnership work is being undertaken through the subsidiaries, a broader strategic plan will be developed to guide the corporate whole, within which a narrower plan will guide the strategic direction of the core business of the Northwest Territories Power Corporation.

Over time as hydro initiatives develop into implemented projects, it is anticipated that the subsidiaries will become much more active than they have been in the past which will be reflected in future consolidated financial statements of the Corporation as these projects evolve.

Judith Goucher
Director, Finance & CFO

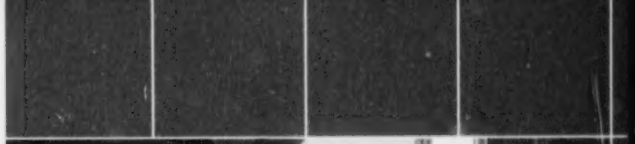
2002/03 FORECAST CO_2 EQUIVALENT EMISSIONS AS A PRODUCT OF TOTAL GENERATION

Greenhouse Gas Emissions The Power Corporation is committed to protecting the environment. Through the addition of hydro and natural gas generation and improvements in the efficiency of our diesel operations, we have reduced our greenhouse gas emissions to 43% below 1990/91 levels, which exceeds Canada's commitment under the Kyoto Accord.



LONG SERVICE EMPLOYEES

NAME	POSITION	LOCATION	SERVICE
Head Office			
Leon Courneya	President & Chief Executive Officer	Hay River	15 Years
Cheryl McMeekin	Records Management Co-ordinator/IT Consultant	Hay River	15 Years
Cheryl Tordoff	Corporate Secretary	Yellowknife	15 Years
Rod Gray	Manager, Logistics	Hay River	15 Years
Allan Cunningham	Systems Analyst	Hay River	10 Years
Richard Mach	Purchasing Agent	Hay River	5 Years
Colin Stang	Civil, EIT	Hay River	5 Years
Cory Strang	Treasurer	Hay River	5 Years
Delta/Sahtu			
Brian Campbell	Regional Health/Safety Co-ordinator	Inuvik/Yellowknife	25 Years
Joseph Wolken	Plant Superintendent	Aklavik	15 Years
Allen Allison	System Operator II	Inuvik	15 Years
Phillip Andre	Plant Superintendent I	Tsiighetchic	10 Years
Hugh Robert	Assistant Plant Operator	Fort McPherson	5 Years
Bernice Elias	Customer Service Representative	Inuvik	5 Years
Deh Cho/South Slave			
John Davenport	Diesel Mechanic/Operator	Fort Smith	15 Years
Duane Rohne	Power Lineperson	Fort Smith	15 Years
Michael Ocko	Manager, Operations	Fort Simpson	15 Years
Isidore Simon	Plant Superintendent I	Jean Marie River	10 Years
North Slave			
Randy Waddell	Electrical Technician	Yellowknife	25 Years
Douglas Sanders	System Operator I	Yellowknife	20 Years
Colin Steed	Industrial Warehouseperson	Yellowknife	15 Years
Denis Labelle	Plant Operator	Yellowknife	15 Years
Charlie Simpson	Plant Superintendent I	Wha Ti	10 Years



POWER FROM TODAY

POWER FOR TOMORROW

FINANCIAL STATEMENTS

Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Minister responsible for the Northwest Territories Power Corporation.

I have audited the consolidated balance sheet of the Northwest Territories Power Corporation as at March 31,2004 and the consolidated statements of earnings and retained earnings, and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

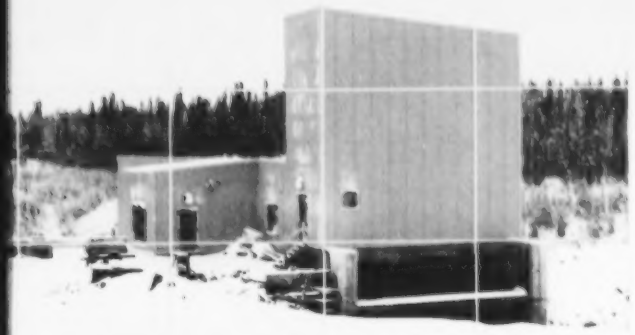
Further, in my opinion, proper books of account have been kept by the Corporation and its wholly-owned subsidiaries and the consolidated financial statements are in agreement therewith and the transactions of the Corporation and of its wholly-owned subsidiaries that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part IX of the *Financial Administration Act* and regulations, the *Northwest Territories Power Corporation Act*, and the by-laws of the Corporation and its wholly-owned subsidiaries.

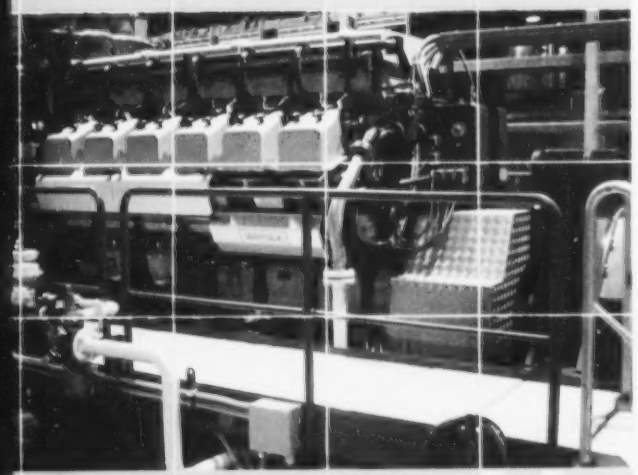
Ronald C. Thompson, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 2, 2004

240 rue Sparks Street Ottawa Ontario K1A 0G6

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING





The accompanying consolidated financial statements were prepared by management in accordance with Canadian generally accepted accounting principles (GAAP). Where GAAP permits alternative accounting methods, management has chosen those it deems most appropriate in the circumstances. The Northwest Territories Power Corporation (the Corporation) is regulated by the Public Utilities Board of the Northwest Territories, which also examines and approves its accounting policies and practices. Financial statements include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects. Management has prepared financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the consolidated financial statements.

The Corporation maintains financial and management systems and practices which are designed to provide reasonable assurance that reliable financial and non-financial information is available on a timely basis, that assets are acquired economically, are used to further the Corporation's aims, are protected from loss or unauthorized use and that the Corporation acts in accordance with the laws of the Northwest Territories and Canada. Management recognizes its responsibility for conducting the Corporation's affairs in accordance with the requirements of applicable laws and sound business principles, and for maintaining standards of conduct that are appropriate to a territorial Crown corporation. An internal auditor reviews the operation of financial and management systems to promote compliance and to identify changing requirements or needed improvements.

The Auditor General of Canada provides an independent, objective audit for the purpose of expressing her opinion on the consolidated financial statements. She also considers whether the transactions that come to her notice in the course of the audit are, in all significant respects, in accordance with the specified legislation.

The Board of Directors appoints certain members to serve on the Audit and Efficiency Committee. This Committee oversees management's responsibilities for financial reporting and reviews and recommends approval of the consolidated financial statements. The internal and external auditors have full and free access to the Audit and Efficiency Committee.

The consolidated financial statements have been approved by the Board of Directors.

Leon Courneya, FCA
President & CEO

Judith Goucher, MA
Director, Finance & CFO

June 2, 2004 Hay River, NT

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

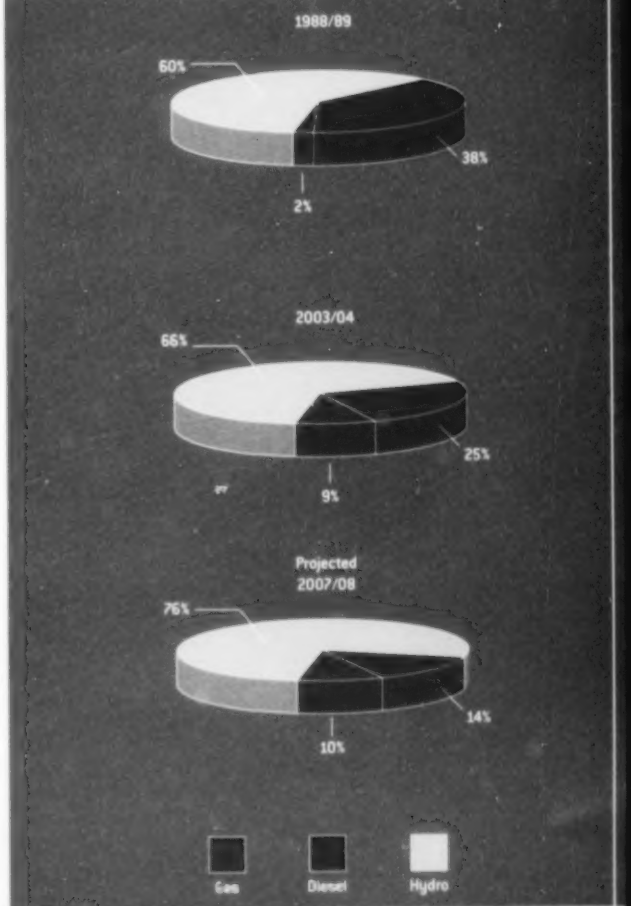
For the years ended March 31 ($000's)

	2004	2003
Revenues		
Sale of power (Note 3)	$ 66,019	$ 64,480
Other (Note 4)	2,336	2,229
	68,355	66,709
Expenses		
Salaries and wages	16,409	15,568
Fuels and lubricants	15,550	15,209
Supplies and services	10,822	10,084
Amortization of plant, property & equipment	7,519	6,884
Travel and accommodation	1,880	1,712
	52,180	49,457
Earnings from operations	16,175	17,252
Interest income	467	278
Contract work, net (Note 6)	133	255
Earnings before interest expense	16,775	17,785
Interest expense (Note 7)	9,596	10,060
Net earnings	7,179	7,725
Retained earnings at beginning of year	32,755	29,030
Dividend (Note 8)	(3,500)	(4,000)
Retained earnings at end of year	$ 36,434	$ 32,755

See accompanying notes

GENERATION BY TYPE (Unaudited)

(Based on Average Hydro Production)



The Corporation has been working to reduce its dependence on diesel generation. Hydro generation has been increased through the lease of the Snare Cascades hydro facility from the Dogrib Power Corporation and the acquisition of the Bluefish hydro facility from the Miramar Con Mine. Inuvik was converted to natural gas generation. Diesel operation efficiency has been increased 10% through the installation of newer engines, automation and staff training.

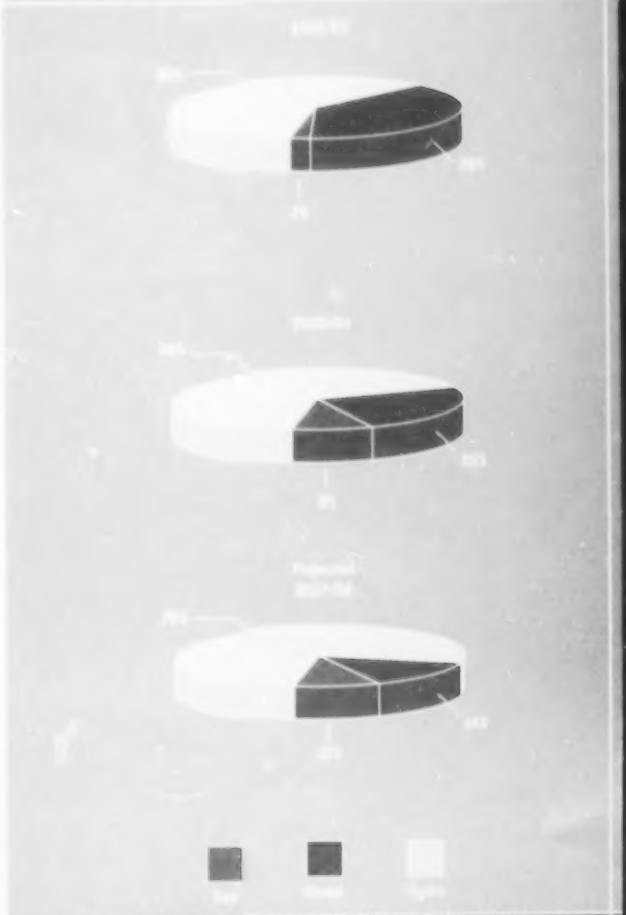
CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

For the years ended March 31 ($000's)

	2004	2003
Revenues		
Sale of power (Note 4)	$ 66,019	$ 64,380
Other (Note 4)	2,336	2,329
	68,355	66,709
Expenses		
Salaries and wages	16,409	15,568
Fuels and lubricants	15,550	15,209
Supplies and services	10,092	10,084
Amortization of plant, property & equipment	7,519	6,884
Travel and accommodation	1,880	1,712
	52,180	49,456
Earnings from operations	16,175	17,253
Interest income	162	428
Contract work, net (Note 6)	133	255
Earnings before interest expense	16,295	17,936
Interest expense (Note 7)	9,506	10,060
Net earnings	7,789	7,876
Retained earnings at beginning of year	32,956	29,080
Dividend (Note 8)	(3,500)	(4,000)
Retained earnings at end of year	$ 36,434	$ 32,956

See accompanying notes

GENERATION BY TYPE (Unaudited)
(Based on Average Hydro Production)



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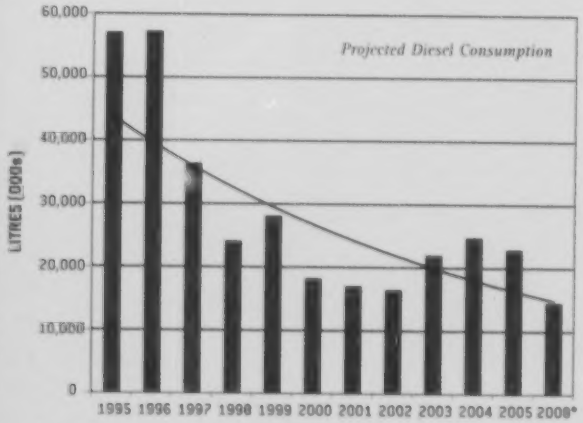
DIESEL CONSUMPTION 1995 TO 2008 (Unaudited)

Northwest Territories Power Corporation:
Working to Reduce Reliance on Diesel



The Corporation has reduced its diesel consumption by 75% since 1989 from a high of 57 million litres per year to an anticipated 14 million litres per year by 2008. This reduction in diesel consumption benefits customers through lower costs, while reducing the impact and associated risks on the environment.

The Corporation continues to review proposed methods of reducing diesel consumption through various projects such as small and mini-hydro, connecting additional communities to existing hydro systems, distributed generation and other alternative generation sources. The Corporation is committed to continuing to decrease its reliance on diesel generation.

CONSOLIDATED CASH FLOW STATEMENTS

For the years ended March 31 ($000's)

	2004	2003
Cash flows from operating activities		
Cash receipts from customers	$ 73,725	$ 68,445
Cash paid to suppliers and employees	(48,066)	(43,872)
Interest received	289	1,066
Interest paid	(10,063)	(9,937)
Cash flows from operating activities	15,885	15,702
Cash flows used in investing activities		
Plant, property and equipment constructed or purchased	(11,124)	(8,650)
Proceeds from sale of plant, property and equipment	13	73
Cash flows used in investing activities	(11,111)	(8,577)
Cash flows used in financing activities		
Repayment of long-term debt	(964)	(21,918)
Proceeds from long-term borrowings	-	20,000
Net proceeds from short-term borrowings	997	1,947
Repayment of net lease obligation	(144)	(143)
Sinking fund installments	(3,008)	(2,744)
Proceeds from sinking fund redemption	-	156
Dividend paid	(4,000)	(4,000)
Cash flows used in financing activities	(7,119)	(6,702)
Net (decrease) increase in cash	(2,345)	423
Cash at beginning of year	573	150
(Bank indebtedness) cash at end of year (Note 14)	$ (1,772)	$ 573

See accompanying notes

CONSOLIDATED BALANCE SHEETS

As at March 31 ($000's)

	2004	2003
Assets		
Plant, property and equipment (Note 9)		
Plant in service	$ 272,681	$ 265,036
Less accumulated amortization	(70,377)	(65,025)
	202,304	200,011
Construction work in progress	16,767	4,455
	219,071	204,466
Current assets		
Cash		523
Accounts receivable	11,152	15,995
Prepaid expenses	1,156	862
Inventories	5,992	6,925
	18,300	24,355
Other assets		
Due from NPC (Note 19)	5,646	5,454
Deferred costs (Note 10)	11,573	8,735
Sinking fund investments (Note 11)	24,082	19,650
	41,301	33,839
	$ 278,672	$ 262,660
Liabilities and Shareholder's Equity		
Long-term debt		
Long-term debt, net of sinking fund investments (Note 12)	$ 91,106	$ 96,537
Sinking fund investments presented as assets	24,082	19,650
Net lease obligation (Note 13)	1,622	1,740
	116,810	117,927
Current liabilities		
Short-term debt and bank indebtedness (Note 14)	12,772	10,003
Note payable for Bluefish (Note 15)	9,399	
Accounts payable and accrued liabilities	10,527	10,174
Dividends payable	5,799	6,299
Current portion of long-term debt (Note 12)	999	965
	39,496	27,441
Other liabilities		
Future removal and site restoration provision (Note 16)	37,115	36,170
Deferred revenues and other liabilities (Note 17)	5,688	5,238
	42,803	41,408
Shareholder's equity (Note 18)	79,563	75,884
	$ 278,672	$ 262,660

Commitments and contingencies (Note 19)

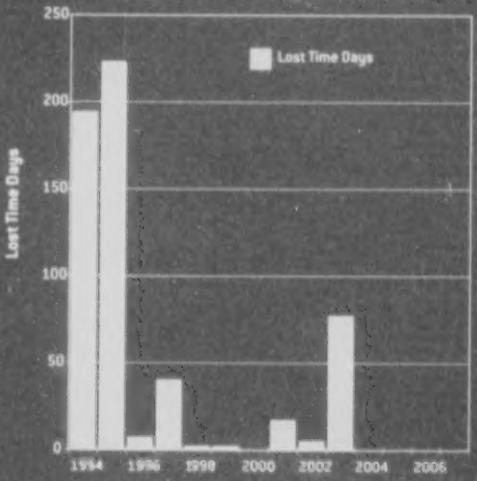
See accompanying notes

Approved on behalf of the Board:

Richard Neryson
Chairman of the Board

Louis Sebert
Director

NTPC SAFETY RECORD FOR LOST TIME DAYS (Unaudited)



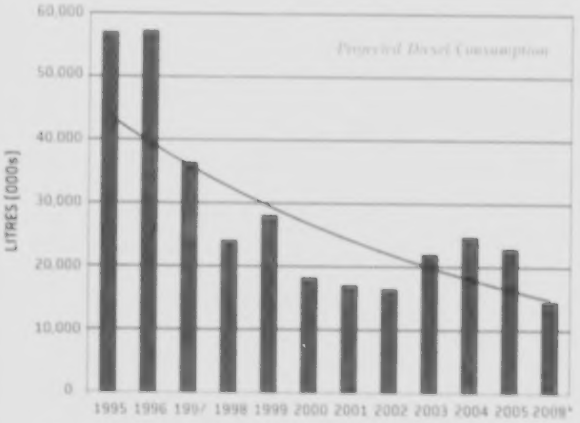
The Corporation operates an electric utility in one of the harshest operating environments in Canada.

The Corporation renewed its commitment to employee safety in 1996 when it adopted an objective of Zero Lost Time Accidents. This allowed us to increase our focus on employee safety and significantly lower our lost time accidents.

Through training and heightened awareness of safety, we have changed our corporate culture. In 2003 we set a new objective of Zero Accidents to further increase our focus on safety.

DIESEL CONSUMPTION 1995 TO 2008 (Unaudited)

Northwest Territories Power Corporation:
Working to Reduce Reliance on Diesel



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Interest paid	(10,063)	(9,937)
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Proceeds from sale of plant, property and equipment	13	73
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Sinking fund investments presented as assets	24,082	19,650
Net lease obligation (Note 13)	1,622	1,740
	116,810	119,927
Current liabilities		
Short-term debt and bank indebtedness (Note 14)	17,777	10,003
Note payable for Bluefish (Note 15)	9,091	
Accounts payable and accrued liabilities	10,522	10,134
Dividends payable	5,299	6,299
Current portion of long-term debt (Note 12)	999	905
	39,496	27,441
Other liabilities		
Future removal and site restoration provision (Note 16)	34,115	36,170
Deferred revenues and other liabilities (Note 17)	8,688	5,238
	42,803	41,408
Shareholder's equity (Note 18)	79,563	75,884
	$ 278,672	$ 262,660

Commitments and contingencies (Note 19)

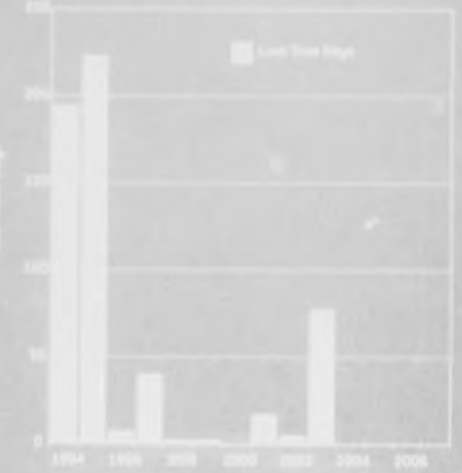
See accompanying notes

Approved on behalf of the Board

Richard Nerysoo
Chairman of the Board

Louis Sebert
Director

NTPC SAFETY RECORD FOR LOST TIME DAYS (Unaudited)



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Through training and heightened awareness of safety, we have changed our corporate culture. In 2003 we set a new objective of Zero Accidents to further increase our focus on safety.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended March 31 ($000's)

1. Authority and operation

The Corporation is established under the *Northwest Territories Power Corporation Act*. The Corporation is a territorial Crown corporation under Schedule B of the *Financial Administration Act* and is exempt from income tax.

The Corporation operates diesel, natural gas and hydroelectric production facilities to provide utility services on a self-sustaining basis in the Northwest Territories.

2. Accounting policies

The Corporation is regulated by the Public Utilities Board of the Northwest Territories (PUB), which administers regulations covering such matters as rates, financing, accounting, construction, operation, and service area. As a result, the regulatory accounting policies adopted by the Corporation may differ from the accounting policies typically followed by unregulated entities. In particular, the timing of the Corporation's recognition of certain assets, liabilities, revenues and expenses may differ from that normally prescribed by Canadian generally accepted accounting principles. Specifically, policies in relation to deferred expenses and other assets and amortization policies are different. A summary of the significant accounting policies follows. The PUB has approved the accounting treatments described.

Rates and regulation (Excluding sales by subsidiaries)

The rates charged to all customers and the Corporation's earnings on a rate of return basis are regulated by the PUB. The PUB sits as often as it considers necessary and is required by the *Public Utilities Act* to review the affairs, earnings and accounts of the Corporation every three years or at any other time.

Consolidation

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Corporation and its wholly owned subsidiaries NWT Energy Corporation Ltd., and 923204 N.W.T. Ltd., operating as NWT Energy Corporation (03) Ltd.

NWT Energy Corporation Ltd., under the authority of the *Northwest Territories Power Corporation Act*, financed the Dogrib Power Corporation for the construction of a 4.3 MW hydro facility. The NWT Energy Corporation (03) Ltd. has two operations: the operation and management of one residual heat project in Fort McPherson and the development of business opportunities outside the regulated business including development of hydroelectric projects.

Revenues

Sale of power, interest, contract and other revenues are recognized on the accrual basis and include an estimate of services provided but not yet billed.

Plant, property and equipment

Plant, property and equipment, excluding those donated to the Corporation, are recorded at original cost and include materials, direct labour and a proportionate share of directly attributable overhead costs and an allowance for funds used during construction which provides for a return on capital at a rate approved by the PUB.

Plant, property and equipment donated to the Corporation are recorded at their estimated fair value.

Amortization

Amortization of plant, property and equipment is provided on the straight-line average group useful life basis, at rates which are approved by the PUB, a portion of which is accounted for as a provision for future removal and site restoration costs.

In accordance with utility accounting practices, retirement of these assets is charged to the provision with no gain or losses reflected in operations. Gains or losses arising from exceptional circumstances are included in earnings.

Amortization rates are as follows:

	%
Electric power plants	1.16 - 5.25
Transmission and distribution systems	1.09 - 4.66
Electric power plants under capital lease	1.16 - 5.25
Warehouse, equipment,motor vehicles and general facilities	1.76 - 9.76
Other utility assets	2.5 - 20.0
Other	20.0

Inventories

Fuels and lubricants and materials and supplies are valued at average cost.

Deferred costs

The Public Utilities Board (PUB), through its decisions, has approved the use of deferral accounts.

The Snare Cascades Deferral Account eased the impact on utility rates resulting from the Snare Cascades project being added to the rate base in 1997. The increase in costs caused by the hydro project addition to rate base, net of savings from displaced diesel generation, was deferred for five years. These costs are being recovered through a PUB approved rate-rider through 2011.

The Rate Stabilization Funds mitigate the impact on utility rates of changes in diesel and natural gas fuel prices as well as fluctuations in hydro generation caused by water levels. The impact of any increases or decreases in fuel prices or hydro generation over the PUB approved amounts is deferred. The deferred amounts are accumulated until PUB specified limits are reached, at which time rate-riders are applied, with PUB approval, to recover or refund the amounts necessary to bring the funds back to the approved limits.

The Reserve for Injuries and Damages includes costs for uninsured and uninsurable losses and the deductible portion of insured claims. The PUB approved $485 to be included in annual expenses for this fund.

Regulatory Costs include incremental expenses incurred to apply to the PUB for a multi-year General Rate Application (GRA). The PUB approved $228 to be included in annual expenses for this fund.

The Normalized Overhaul Costs include costs to overhaul hydro, diesel and natural gas units that occur over the life of these assets. The PUB approved $1,573 to be included in annual expenses for this fund.

Regulated Employee Future Benefits represent benefits accrued under employment agreements since April 1, 2001.

Other deferred costs include the L-199 transmission line costs, financing costs, pending insurance claims costs and other costs. These costs are subject to recovery through insurance, the courts or the customers through PUB decisions. Financing costs relating to the issue of long-term debt are amortized on a straight-line basis over the remaining term of the related debt.

The deferred costs noted above are charged to operations at PUB approved amounts that are estimated to annualize the costs over time or will be recoverable in the future.

Sinking fund investments

Securities held in sinking funds are recorded at cost. Interest, dividends and realized gains and losses are included in sinking fund income. Unrealized gains are not recognized. Unrealized losses are recognized only when the decline in value is considered other than a temporary decline in the value of the sinking fund investments.

Future removal and site restoration provision

The provision for future removal and site restoration reflects the estimated cost of decommissioning facilities as well as the related costs of environmental mitigation of the Corporation, net of salvage value. These costs are amortized at rates, which are approved by the PUB, over the estimated useful lives of the related assets on a straight-line average group useful life basis. Due to the long-term nature of the assumptions made in deriving these estimates, the provision is periodically revised and updated for current information on approval by the PUB.

Deferred revenues

Deferred revenues reflect donations of assets and contributions to aid in the construction and acquisition of plant, property and equipment. Deferred revenues are amortized on the same basis as the related plant, property and equipment, and the resulting credit is offset against the corresponding provision for amortization of plant, property and equipment.

Public Service Superannuation Plan

Employees participate in the Public Service Superannuation Plan (the Plan) administered by the Government of Canada. The Corporation's contributions to the Plan are expressed as a percentage of employees' contributions. The percentage may fluctuate from year to year depending on the experience of the Plan. The Corporation's contributions are charged to operations on a current basis and represent the total pension obligations. The Corporation is not required to make contributions with respect to actuarial deficiencies of the Plan.

Employee future benefits

Under the terms and conditions of employment, employees may earn non-pension benefits for resignation, retirement and removal costs based on years of service. The benefits are paid upon resignation, retirement or death of an employee. The cost of these non-pension benefits has been determined based on management's best estimates and accrued as a liability as employees render service. The expenditures are not currently treated as a charge to operations but will be recoverable in the future. Consequently certain employee future benefit costs have been recorded as a regulated deferred expense.

Measurement uncertainty

To prepare these financial statements in accordance with Canadian generally accepted accounting principles, management has made a number of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent liabilities. Actual results may differ from these estimates. Significant estimates include amortization, the future removal and site restoration provision, and the April 1, 2001, allocated assets, liabilities and shareholder's equity to the NWT as a result of division.

New Accounting Recommendations

Asset Retirement Obligations

In March 2003 the CICA issued the new Handbook Section 3110 Asset Retirement Obligations, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. It applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and the normal operation of a long-lived asset, except for certain obligations of lessees. The Corporation already has a liability recorded to recover these costs.

Section 3110 is effective for fiscal years beginning on or after January 1, 2004 and is to be applied retroactively with restatement of prior years. The Corporation is currently evaluating Section 3110 and its implications in a regulated environment.

3. Sale of power – General Rate Application

The Corporation's 2001-2003 General Rate Application is complete. The PUB has approved community-based rates and these rates were implemented in November 2003.

4. Other revenues

	2004	2003
Government funding of pension expenses (Note 5)	$ 931	$ 669
Miscellaneous	547	623
User fees	406	334
Connection fees	207	186
Contract work	174	322
Heat	71	95
	$ 2,336	$ 2,229

5. Pension expense

The Corporation contributes to the Public Service Superannuation Plan at a rate of 2.14 times (2003 – 2.14 times) the employee's contributions. Contributions for pension expense during the year were $1,972 (2003 - $1,924). The Corporation receives funding, recorded as other revenues, from the GNWT of $931 (2003 - $669) to cover part of these pension expenses. This funding was available until March 31, 2004. The Government of the Northwest Territories (GNWT) has agreed to continue funding beyond 2004. The terms of the new contract are being finalized. Should this additional funding cease the Corporation will apply to the PUB to recover these additional costs through rates.

6. Contract work

The Corporation has an agreement with the Nunavut Power Corporation (NPC), to provide engineering services until August 1, 2004. The revenues and expenses to provide services under this agreement are outside of the normal operations of the Corporation and therefore are reflected separately on the income statement. The Corporation's gross revenues from the contract were $720 (2003 - $784) and the associated expenses were $587 (2003 - $529) for net earnings of $133 (2003 - $255). There are no assets or liabilities in the Corporation held solely for the purpose of this contract.

7. Interest expense

	2004	2003
Interest on long-term debt	$ 11,935	$ 11,104
Short-term financing costs	292	245
Sinking fund income	(1,425)	(1,104)
Capitalized allowance for funds used during construction	(1,206)	(185)
	$ 9,596	$ 10,060

8. Dividend

Pursuant to the *Northwest Territories Power Corporation Act*, the Government of the Northwest Territories directed the Corporation to declare a dividend of $3,500 (2003 - $4,000).

9. Plant, property and equipment

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Electric power plants	$ 153,924	$ (44,789)	$ 109,135	$ 107,479
Transmission and distribution systems	62,352	(10,521)	51,831	51,038
Electric power plants under capital lease	26,342	(2,783)	23,559	23,938
Warehouse, equipment, motor vehicles and general facilities	21,533	(7,825)	13,708	13,133
Other utility assets	3,795	(621)	3,174	3,457
Other	4,735	(3,838)	897	966
	272,681	(70,377)	202,304	200,011
Construction work in progress	16,767	-	16,767	4,455
	$ 289,448	$ (70,377)	$ 219,071	$ 204,466

Engineering and other direct overhead expenses capitalized during the year amounted to $1,083 (2003 - $1,136).

10. Deferred costs

	March 31 2004	2004 Costs Deferred and Interest Charged to the fund	2004 Amortization of Fund Balance	March 31 2003
Snare Cascades Deferral Account	$ 2,494	$ 22	$ (726)	$ 3,198
Rate Stabilization Funds	(549)	1,944	125	(2,618)
Reserve for Injuries and Damages	1,013	393	(485)	1,105
Regulatory Costs	1,156	400	(228)	984
Normalized Overhaul Costs	(468)	1,659	(1,573)	(554)
Regulated Employee Future Benefits	1,069	486	(106)	689
L-199 transmission line costs	4,372	414	-	3,958
Other deferred expenses	2,486	688	(175)	1,973
	$ 11,573	$ 6,006	$ (3,168)	$ 8,735

The rate stabilization funds are comprised of fuel $1,138 (2003 - $534) and water $(1,688) (2003 - $(3,152)).

11. Sinking fund investments

Sinking fund investments are held by the Trustee for the redemption of long-term debt. As the sinking funds exist to fund the payout of long-term debt, sinking fund income is treated as a reduction of finance charges and is reflected in interest expense.

Cash and short-term investments include cash and fixed income investments with a term to maturity not exceeding one year. All fixed income securities are investment grade credit. The Corporation's sinking fund policy limits investments in equities to 30% of the total sinking fund. Equities are in four funds and are well diversified by sector, issuer, region and liquidity.

The sinking fund agreements require the Corporation to make minimum annual installments. The installments calculated for the next five years are disclosed in Note 12. Fair value information for sinking funds is included in Note 21. The Corporation realized a return of 6.52% (2003 - 6.17%) on the $24,082 (2003 - $19,650) book value of the sinking funds.

	2004		2003	
	Carrying Value	Weighted average effective rate of return (1)	Carrying Value	Weighted average effective rate of return (1)
Fixed Income Securities				
Federal Government guaranteed	$ 6,524	3.80%	$ 4,437	4.00%
Corporate Bonds	6,388	3.80%	4,470	5.30%
Municipal Government guaranteed	2,638	4.90%	1,748	5.70%
Cash and short-term investments	966	2.60%	2,325	3.10%
Provincial Government guaranteed	582	4.50%	1,054	5.30%
Equities				
Canadian	4,838		3,635	
US	1,411		1,406	
International	735		575	
	$ 24,082		$ 19,650	

(1) – Rate calculated on market yield for cash and fixed income securities.

12. Long-term debt

	2004	2003
11% sinking fund debentures, due March 9, 2009	$ 20,000	$ 20,000
10 3/4% sinking fund debentures, due May 28, 2012	20,000	20,000
6.63% amortizing debenture, due December 18, 2032	19,333	20,000
11 1/8% sinking fund debentures, due June 6, 2011	15,000	15,000
6.33% redeemable sinking fund debentures, due October 27, 2018	10,000	10,000
8.41% redeemable sinking fund debentures, due February 27, 2026	8,700	8,700
9.11% debenture series 3, due September 1, 2026, repayable in equal monthly payments of $73	8,370	8,478
9 3/4% debenture series 2, due October 1, 2025, repayable in equal monthly payments of $69	7,400	7,494
10% debenture series 1, due May 1, 2025, repayable in equal monthly payments of $70	7,379	7,475
Other	5	5
	116,187	117,152
Less: Current portion	999	965
	115,188	116,187
Less: Sinking fund investments	24,082	19,650
	$ 91,106	$ 96,537

All long-term debt is guaranteed by the GNWT. Certain debentures are redeemable within the specific terms of the debenture.

Principal repayments and estimated sinking fund investment contributions for the next five years:

	2005	2006	2007	2008	2009
Principal Repayments	$ 999	$ 1,032	$ 1,068	$ 1,105	$1,153
Sinking Fund Investment Contributions	$ 2,778	$ 3,001	$ 3,001	$ 3,001	$1,931

13. Net lease obligation

The NWT Energy Corporation Ltd. loaned funds to the Dogrib Power Corporation to finance the construction of a hydroelectric generating plant on the Snare River in the Northwest Territories. The balance of the loan receivable is $21,505 (2003 - $21,765). The loan bears interest at an annual rate of 9.6%, which is the average rate of interest on NWT Energy Corporation Ltd.'s long-term debt issued to finance the loan. It is due July 2026 and is repayable, in equal monthly payments of $195. The loan is secured by a charge against the plant and the lease agreement.

The Corporation has an initial 65-year lease for the plant at an imputed interest rate of 9.6% from the Dogrib Power Corporation until 2061. The value of the capital lease obligation is $23,245 (2003 - $23,650).

To reflect the effective acquisition and financing nature of the lease, the plant is included in electric power plants in plant, property and equipment at an original cost of $26,342.

Upon consolidation, the loan receivable held by NWT Energy Corporation Ltd. is offset with the capital lease obligation of the Corporation resulting in a net lease obligation of $1,740 (2003 - $1,885). As a result, in some years there will be a net payment and in other years there will be a net receipt upon consolidation. The net lease obligation payments / (receipts) over the next five years are:

2005	2006	2007	2008	2009
$ 118	$ 90	$ 58	$ 23	$ (15)

The current portion of the net lease obligation is $118 (2003 - $145) and is recorded in accounts payable.

14. Short-term debt and bank indebtedness

	2004	2003
Bankers' acceptance and shareholder's advance	$ 11,000	$ 10,000
Bank overdraft	1,772	3
	$ 12,772	$ 10,003

The interest rate charged on bank overdrafts is prime. The short-term debt outstanding at year-end had a weighted average 74 day term (2003 – 55 day term) and a 2.38% (2003 – 3.30%) weighted average annual interest rate. The Corporation has a $15 million unsecured line of credit with its bank and also has access on occasion to short term funds from its shareholder.

15. Bluefish purchase agreement

The Corporation purchased the Bluefish Hydroelectric Generating Station ("Bluefish") effective April 4, 2003 from Miramar Con Mine. The essential elements of the Purchase Agreement are: a $10 million note payable December 31, 2004, specified energy and demand power credits for Miramar Con Mine until December 31, 2009, assumption of all future removal and site restoration costs for the Bluefish Station, and assumption of operating costs until December 31, 2004. The Corporation intends to convert the $10 million note payable to long term debt in 2005. The specified energy and demand power credits work as follows: from April 4, 2003 to December 31, 2004 Miramar will receive as much energy from Bluefish at zero cost ("power credits") as Bluefish would have produced when Miramar owned the hydro facility. Miramar also gets demand credits of 7,200 kVA per month in each of the two fiscal years in this period. From January 1, 2005 until December 31, 2009 Miramar will receive 5 GWh of energy at zero cost each fiscal year and demand credits of 1,500 kVA per month. The purchase considerations and acquisition of the facility has been reviewed and approved by the PUB.

16. Future removal and site restoration provision

The provision for the year, included in amortization of plant, property and equipment is $1,427 (2003 - $1,401) and the amount spent is $482 (2003 - $630).

17. Deferred revenues and other liabilities

	2004	2003
Donations in aid of construction	$ 3,666	$ 3,803
Employee future benefits	2,022	1,435
	$ 5,688	$ 5,238

18. Shareholder's equity

	2004	2003
Capital Stock		
Authorized: unlimited number of voting common shares without par value		
Issued: 431,288 common shares	$ 43,129	$ 43,129
Retained earnings at end of year	36,434	32,755
	$ 79,563	$ 75,884

19. Commitments and contingencies

Capital projects

The estimated cost to complete capital projects in progress, as at March 31, 2004, was $14,029 (2003 - $7,199).

Operating leases

The Corporation has leased property and equipment under various long-term operating leases. The minimum annual payments for these leases are as follows:

2005	2006	2007	2008	2009	2010-2030	Total
$ 293	$ 141	$ 113	$ 46	$ 14	$ 22	$ 629

Supply contracts

The Corporation has contracts to purchase refined oil products based on market prices at time of delivery. These contracts end in 2005 and 2006 and reflect various minimum quantity purchase commitments totalling 40.4 million litres in this two year period, consistent with the Corporation's operational requirements.

Natural gas purchase commitment

The Corporation has an agreement to purchase natural gas to produce electricity in Inuvik. The minimum obligation is to purchase 5,622,900m3 of natural gas per annum until July 2014, consistent with the Corporation's operational requirements. The price is calculated annually on August 1 and will depend on the Edmonton Average Unbranded High Sulphur Diesel Price as posted in the Bloomberg Oil Buyers Guide on that date.

Litigation

The Corporation has been named as a defendant in five lawsuits. Two actions relate to wrongful dismissal cases. The Corporation has been named as a co-defendant in the third action as a result of the Corporation managing a project for the Nunavut Power Corporation (NPC) through the NPC engineering contract. The fourth action names the Corporation as a co-defendant in a lawsuit involving allegations of negligence and breaches of duty arising out of a snowmobile accident. The total liquidated amount of these claims ranges from $123 to $355, exclusive of costs and interest. The fifth action names the Corporation as a co-defendant with the GNWT and the Federal Government in a claim for $45,000 related to the construction of the hydro system on the Taltson River in 1965. It is management's estimate that no significant loss to the Corporation will result from any of these five claims. In the event that any of these claims are not settled in favour of the Corporation, the Corporation has insurance which may cover all or a portion of the settlement cost.

Division

All corporate operations within the Nunavut Territory were taken over by the NPC on April 1, 2001. The allocation of the Corporation's assets, liabilities and shareholder's equity between its Nunavut operations to NPC and its Northwest Territories operations to the Corporation was governed by two agreements, a due diligence process and approval by the Corporation, GNWT, NPC and the Government of Nunavut. As at the date these financial statements were completed the allocation of assets, liabilities and shareholder's equity as at March 31, 2001, was agreed to by the four parties, with the exception of the allocation of some of the short term debt. The parties are currently undergoing arbitration to resolve the dispute. The allocations of assets, liabilities and shareholder's equity as at March 31, 2001 were determined based on management's best estimate using the approach set out in the agreements. As a result of the arbitration, any adjustments with an income statement impact that may be required to this estimate will be adjusted through retained earnings.

20. Related party transactions

The Corporation is a territorial Crown corporation and consequently is related to the GNWT and its agencies and corporations.

The Corporation provides utility services to, and purchases fuel and other services from, these related parties. These transactions are at the same rates and terms as those with similar unrelated customers. Transactions with related parties and balances at year-end not disclosed elsewhere in the financial statements are as follows:

	2004	2003
Sale of power and other	$ 20,138	$ 18,992
Purchase of fuel from government	1,469	1,268
Fuel tax paid to government	776	761
Other purchases and payments	510	983
Balances at year end:		
Accounts receivable	2,226	2,226
Accounts payable	1,071	626
Promissory note (included in short-term debt)	8,000	4,000
Dividend payable to the GNWT	3,500	4,000

21. Financial instruments

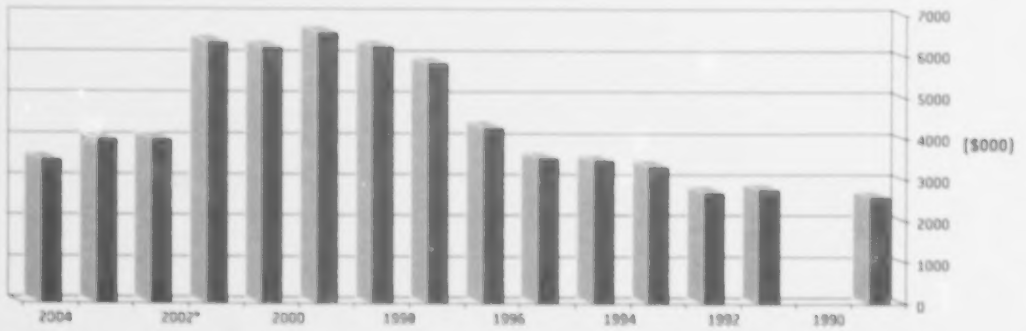
	2004		2003	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 116,186	$ 148,107	$ 117,152	$ 143,690
Net lease obligation	1,740	4,041	1,885	3,325
Sinking fund investments	24,082	24,625	19,650	18,600

The fair values of cash, other current accounts receivable and payable, Due from NPC, note payable for Bluefish and short-term debt approximate the carrying amounts of these instruments due to the short period to maturity.

The fair values for the long-term debt and net lease obligation are determined using market prices for similar instruments.

The fair value of the sinking fund investments is determined using market prices.

NTPC DIVIDENDS (Unaudited)



NTPC pays an annual dividend to its shareholder, the Government of the Northwest Territories. The GNWT uses these dividends to subsidize power rates for residential & commercial customers.

Total Dividends: $65,573,000

* 2002 - NTPC divided between NWT & Nunavut

CONSOLIDATED FINANCIAL SUMMARY (Unaudited)

For the Years Ended March 31 ($000's)

	2004	2003	2002	2001 (NWT only)	2001	2000
Operating revenue	$ 68,355	$ 66,709	$ 64,310	$ 53,854	$ 107,886	$ 101,419
Operating expenses	52,180	49,457	49,170	41,200	85,712	78,821
Fuel and lubricants expense	15,550	15,209	15,358	12,378	31,097	25,822
Interest expense (1)	9,596	10,060	10,544	8,765	13,923	13,330
Earnings from operations	16,175	17,252	15,140	12,654	22,174	22,598
Net earnings	7,179	7,725	6,882	4,182	9,089	10,676
Dividend	3,500	4,000	4,000	4,053	6,368	6,239
Expenditures on plant, property and equipment	11,124	8,650	5,334	4,554	20,395	21,427
Gross plant, property and equipment	272,681	265,036	258,786	258,606	396,860	390,534
Sales (MWh) (2)	315,870	314,332	307,335	300,102	414,181	410,971
Generation (MWh)	348,692	350,086	341,101	334,087	462,410	458,969
Total number of customers (3)	8,064	7,954	7,849	8,320	19,319	19,248
N.W.T.	8,064	7,954	7,849	8,320	8,320	8,285
Nunavut		-	-	-	10,999	10,963
Return on assets employed (Net income/Avg total assets)	2.63%	2.91%	2.66%	1.59%	2.55%	3.17%
Average unit energy cost (Operating cents/kWh generated)	14.96	14.13	14.42	12.33	18.54	17.17

Notes:

(1) Prior years restated net of AFUDC.

(2) Prior years restated net of sales to NTPC.

(3) 2003 and 2001 customer count uses new methodology.

DIRECTIVES

Directive One

Date: March 18, 2004

SUBJECT: NTPC CORPORATE STRUCTURE AND EMERGING OPPORTUNITIES

DECISION: The Executive Council:

1) authorizes the transfer of 923204 NWT Ltd. to the Northwest Territories Power Corporation to be its subsidiary;

2) authorizes the creation of two new subsidiaries of the Northwest Territories Power Corporation;

3) authorizes the four unregulated subsidiaries of the Northwest Territories Power Corporation (NWT Energy Corporation Ltd; 923204 NWT Ltd. and two subsidiaries created pursuant to paragraph (2) above) to pursue joint ventures and partnerships consistent with the strategic direction for the Northwest Territories Power Corporation approved by Executive Council in August 2002;

4) further to paragraph (3), directs the Minister Responsible for the Northwest Territories Power Corporation to submit for Executive Council consideration, proposed joint ventures and partnerships prior to their being entered into by subsidiaries of the Northwest Territories Power Corporation;

5) directs the Minister Responsible for the Northwest Territories Power Corporation to return to the Executive Council with a submission providing further information and seeking directions with respect to placing the Northwest Territories Power Corporation as a crown corporation under a holding company and how this would effect:

   a) relationships, including authority and accountability, between the proposed new holding company and each of its subsidiaries, including the Northwest Territories Power Corporation; the Minister Responsible; the Executive Council and the Financial Management Board; and

   b) borrowing by the Northwest Territories Power Corporation, investing by the Northwest Territories Power Corporation, and issuing of dividends by the Northwest Territories Power Corporation to the Government of the Northwest Territories.

Directive Two

Date: March 18, 2004

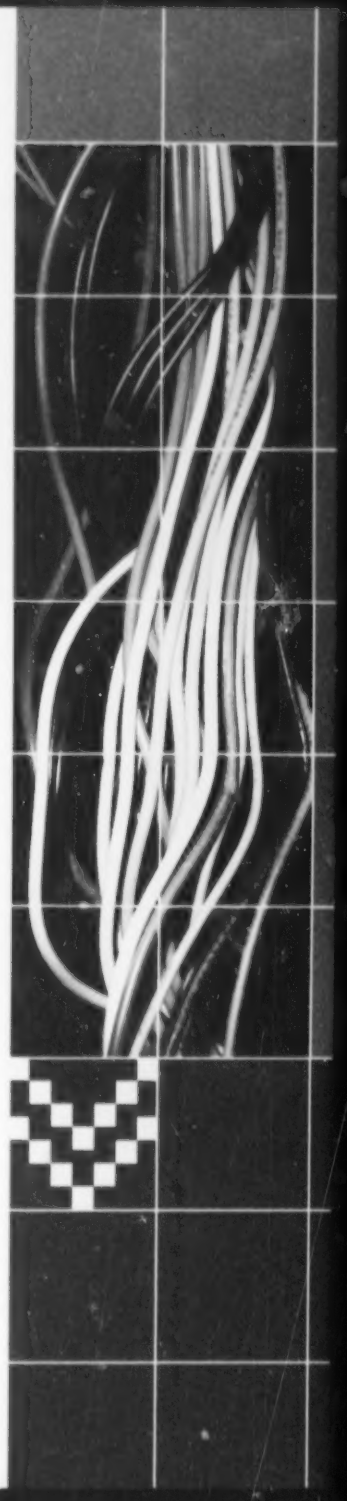
SUBJECT: DIRECTION TO NTPC PAYMENT OF DIVIDEND

DECISION: The Executive Council directs that:

1) pursuant to Section 29 of the *Northwest Territories Power Corporation Act*, and based on the Northwest Territories Power Corporation's 2003-2004 net income and the reduction to dividend previously directed by the Financial Management Board, the Northwest Territories Power Corporation declare a dividend in the amount of three million, five hundred thousand dollars ($3,500,000.00) for the 2003-2004 operating year;

2) further to paragraph (1) above, the Northwest Territories Power Corporation declare the dividend for the 2003-2004 operating year prior to March 31, 2004; and

3) further to paragraphs (1) and (2) above, the Northwest Territories Power Corporation pay the dividend to the Government of the Northwest Territories within 120 days following the declaration of the dividend.



DONATIONS & SPONSORSHIP

NTPC Donations
(in alphabetical order):

Beaver Tail Jamboree

Beluga Jamboree

Bosco Homes

CIBC Run for the Cure

CNIB

Deh Cho Friendship Centre

Deline Dene Band

Deninoo Community Council

Dollars for Dialysis

Elks Charity Golf Tournament

Festival of Trees

Fort Smith Curling Club

Fort Smith Métis Council

Fort Smith Nursery School

Fort Simpson Army Cadets

Fort Simpson Fire Department

Fort Simpson's 100th Birthday

Gameti First Nation

Green and Gold Golf Course

Hamlet of Aklavik -
Christmas Lights

Hamlet of Fort McPherson -
Christmas Lights

Hamlet of Sachs Harbour -
Christmas Lights

Hay River Fireman's Ball

Hay River Library Committee

Hay River Secret Santa

Hay River Senior's Society

Hay River Youth Centre

Inuvik Aquatic Centre

Inuvik -Christmas Lights

Inuvik Curling Club

Inuvik Family Centre

K'amba Carnival

Kids Sport NWT

Kiwanis Clubs

Lions Clubs

Lutsel K'e Dene Band

Mad Trapper
Community Festival

Muskrat Jamboree

NWT Association
of Communities

NWT Literacy Council

NWT Métis Cultural Institute

Open Sky Creative Society

Our Kids, Our Future

Peel River Jamboree

Pehdzeh Ki First Nation

Pelican Rapids Golf &
Country Club

PW Kaeser High School

Racquet Club –
Jr. Squash Tournament

Rotary Clubs

Royal Canadian Legion

Seven Spruce Golf Course

Sir John Franklin High
School Dry Grad

St. Patrick's High School
Dry Grad

NWT students participating in the "Waking Opportunities Within" career conference training session held at the NWT Power Corporation.

Students Against
Drunk Driving

Super Soccer League

Team Diabetes Canada

Teen Life Choices

Terry Fox Run

The Hospital Activity Book for
Children

Tuktoyaktuk Recreation
Department

Tulita Land Corporation

Uncle Gabe's Friendship Centre

Vineyard Youth Group

Wha Ti Charter Community

Yellowknife Catholic Schools

Sponsorship

Open Sky Festival

South Slave
Friendship Festival

NWT Track and
Field Championships

NWT Outstanding
Volunteer Awards

D.A.R.E. Program

BOARDS AND COMMITTEES

Officers of the Corporation:

Richard Nerysoo,
Chairman

Leon Courneya, FCA
President and
Chief Executive Officer

Paul Campbell,
Director, Deh Cho - South Slave

Cheryle Donahue,
Director, Human Resources

Al Dube, P.Eng.,
Director Engineering
& Chief Engineer

Judith Goucher, MA
Director, Finance & CFO

John Locke,
Director, Information Systems
& CIO

Randy Patrick, MA, MBA, BCom
Director, North Slave

Brian Willows,
Director, Corporate Operations
Director, Delta - Sahtu

Herbert Blake,
Assistant Director, Delta - Sahtu

Dan Grabke,
Director, Business Development
NTEC 03 Ltd.

Cheryl Tordoff,
Corporate Secretary

Governance & Compensation Committee

Peter Allen,
Chairman

Richard Nerysoo,
Committee Member

Raymond Woods,
Committee Member

Audit & Efficiency Committee

Peter Guther,
Chairman

Marion Lavigne,
Committee Member

Louis Sebert,
Committee Member

Fred Abbott,
Financial Advisor

Board of Directors

Richard Nerysoo,
Chairman

Peter Allen,
Vice Chairman

Raymond Woods,
Board Director

Peter Guther,
Board Director

Marion Lavigne,
Board Director

Louis Sebert,
Board Director

Fred Abbott,
Financial Advisor

* Arnold Hope,
Board Director

*from ended December 2, 2011

Board of Directors (left to right)

Front: Marion Lavigne, Richard Nerysoo, Arnold Hope;

Back: Peter Allen, Fred Abbott, Louis Sebert, Peter Guther, Raymond Woods.

BOARDS AND COMMITTEES

Richard Nerysoo,
Chairman

Leon Courneya, FCA
President and
Chief Executive Officer

Paul Campbell,
Director, Deh Cho – South Slave

Cheryle Donahue,
Director, Human Resources

Al Dube, P.Eng.,
Director Engineering
& Chief Engineer

Judith Goucher, MA
Director, Finance & CFO

John Locke,
Director, Information Systems
& CIO

Randy Patrick, MA, MBA, BCom
Director, North Slave

Brian Willows,
Director, Corporate Operations
Director, Delta – Sahtu

Herbert Blake,
Assistant Director, Delta – Sahtu

Dan Grabke,
Director, Business Development
NTC 03 Ltd.

Cheryl Tordoff,
Corporate Secretary

Peter Allen,
Chairman

Richard Nerysoo,
Committee Member

Raymond Woods,
Committee Member

Peter Guther,
Chairman

Marion Lavigne,
Committee Member

Louis Sebert,
Committee Member

Fred Abbott,
Financial Advisor

Richard Nerysoo,
Chairman

Peter Allen,
Vice Chairman

Raymond Woods,
Board Director

Peter Guther,
Board Director

Marion Lavigne,
Board Director

Louis Sebert,
Board Director

Fred Abbott,
Financial Advisor

* Arnold Hope,
Board Director

Northwest Territories
Power Corporation

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Web site: www.ntpc.com

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Facsimile: 867 777 4283
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Telephone: 867 669 3300
Facsimile: 867 669 3316
Toll free: 1 800 661 0854

Deh Cho - South Slave
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Fort Smith NT X0E 0P0
Telephone: 867 872 7100
Facsimile: 867 872 7149

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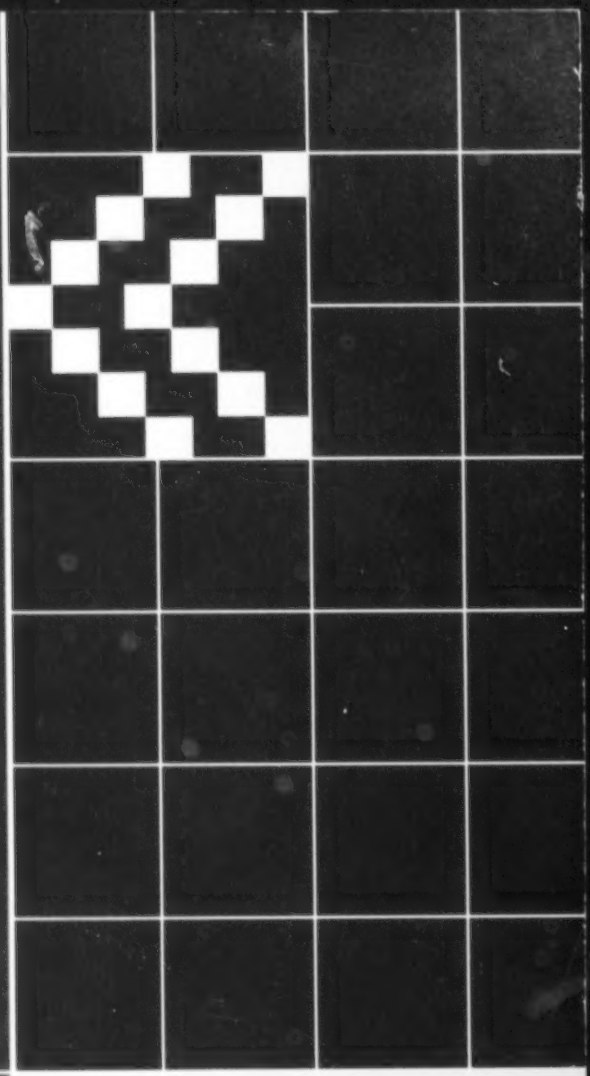

NORTHWEST TERRITORIES
POWER
CORPORATION